



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0025	Title:	Revise contract timber harvest laws
Primary Sponsor:	Larson, L.	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
State Special Revenue	\$ -	\$ 280,000	\$ 420,000	\$ 490,000
Revenue:				
State Special Revenue	\$ -	\$ 325,000	\$ 487,500	\$ 568,750
Other	\$ -	\$ 45,000	\$ 67,500	\$ 78,750
Net Impact-General Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Description of fiscal Impact:

Under current law, the Department of Natural Resources and Conservation (DNRC) sells timber from state lands and the timber is then harvested and marketed by the buyer. This bill would authorize DNRC to contract for the harvesting of timber and to sell the harvested forest products to the highest bidder. Although additional spending authority would be needed to cover contract harvesting costs, an estimated 10% increase in net revenue is forecasted compared to the current program.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources and Conservation (DNRC)

1. Contract harvesting is estimated to generate an additional ten percent more net revenue compared to selling the same sale using current methods.

2. Up to 10% of the annual sustained yield may be harvested using contract harvesting. Contract harvests will count towards the DNRC annual sustained yield required in 77-5-223 MCA, except when addressing forest health concerns which can be in addition to the sustained yield up to 10%.
3. It is assumed that this bill will have no fiscal impact in FY 2008 due to the time involved in the development of rules and the time required to prepare the first contract sale.
4. Beginning in FY 2009, it is estimated that an additional one million board feet (MMBF) of timber would be sold under the contract harvesting method. The annual sustained yield target of 53.2 MMBF would be sold under the existing program method.
5. At this time, the implementation of contract harvesting would be limited to Common School lands. The additional 1 MMBF would be in excess of 18 MMBF and pursuant to 20-9-343, MCA, in which the revenue would be applied to the Technology Acquisition Fund as opposed to Common Schools base aid.
6. Additional spending authority would be needed to cover operational costs for harvesting, yarding, sorting, and transportation costs for contract harvesting. These costs are estimated at \$280 per thousand board feet (MBF). The administration costs would be expended from the State Special Revenue Timber Sale Account from Common Schools distributable revenue.
7. Based on using contract harvesting to harvest an additional 1 MMBF in FY 2009, 1.5 MMBF in FY 2010, and 1.75 MMBF in FY 2011, it is anticipated that an additional \$45,000, \$67,500 and \$78,750 in net revenue would be generated in each respective fiscal year. Administrative costs are estimated at \$280/MBF, which would total \$280,000 in FY 2009, \$420,000 in FY 2010, \$490,000 in FY 2011.

		FY 2008	FY 2009	FY 2010	FY 2011
Projected Harvest MBF	Volume		1,000	1,500	1,750
	Revenue		\$325	\$325	\$325
	Cost		\$280	\$280	\$280
	Projected Revenue	-	325,000	487,500	568,750
	Expenses	-	280,000	420,000	490,000
	Net Revenue	-	45,000	67,500	78,750
Distributable revenue and costs by trust					
CS Technology Acquisition Fund (02)					
	Revenue	-	45,000	67,500	78,750
Timber Sale Account (02)					
	Revenue	-	280,000	420,000	490,000
	Expenses	-	280,000	420,000	490,000

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$280,000	\$420,000	\$490,000
TOTAL Expenditures	\$0	\$280,000	\$420,000	\$490,000

Funding of Expenditures:

State Special Revenue (02)	\$0	\$280,000	\$420,000	\$490,000
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Revenues:

State Special Revenue (02)	\$0	\$280,000	\$420,000	\$490,000
Technology Acquisition Fund (02)	\$0	\$45,000	\$67,500	\$78,750

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02)	\$0	\$0	\$0	\$0
Technology Acquisition Fund (02)	\$0	\$45,000	\$67,500	\$78,750

Long-Range Impacts:

1. Contract harvesting has the potential for expanding the customer bidding pool and therefore, increasing trust revenues. The Washington State Department of Natural Resources completed a study dated September 2006 entitled "A Report to the Legislature Contract Harvesting Program", which detailed a similar result on Washington State trust lands.
2. DNRC would have the flexibility in selecting loggers to achieve specific results, which would provide increased flexibility in managing sensitive areas.
3. With the ability to hire the harvester directly, the potential exists to reduce operational timeframes for completion of timber sales where limited operating windows and time constraints exist.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date